RECONNECT ENERGY

REConnect Energy Solutions Ltd.
(formerly known as REConnect Energy Solutions Pvt Ltd.)
CIN : U72100KA2010PLC156244

: +91-8882-440-440
: info@reconnectenergy.com
: www.reconnectenergy.com

March 24, 2022

To,

The Honourable Secretary,
Central Electricity Regulatory Commission,
3 rd & 4 th Floor, Chanderlok Building,
36, Janpath, New Delhi- 110001

Subject: Comments on Draft REC Regulation 2022 (No. RA-14026(11)/1/2022-CERC)

Dear Sir,

We thank you for giving us an opportunity to provide our feedback on the draft change in REC Mechanism.

We are the largest service provider in the Environmental Markets in India with a market share of ~40% in domestic environmental markets encompasing attributes like RECs and ESCerts. We may also like to highlight that even though REConnect Energy is acting as an "advisory member" registered at the power exchanges (IEX and PXIL) we continue to enjoy such a substantial market share in RECs as well as ECERTs markets.

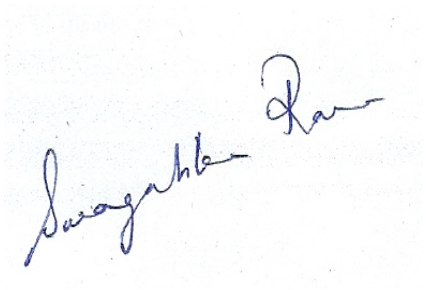
In our opinion the proposed mechanism will help in the promotion of renewable energy in India while making the energy attribute instruments self-reliant, encouraging new RE technology with easy market entry and incentivising obligated entities.

Based on the review of the draft regulation, we would like to submit our suggestions/comments on specific aspects underlined in the draft which should attend to the requirements of every stakeholder and ensure a robust REC system. We hope that in redesigning this important mechanism, you will find our feedback useful.

We would also request the Hon'ble Commission to provide us with an opportunity to

make a presentation to the Hon'ble Commission during the public hearing.

Thanks and regards,



Swagatika Rana

REConnect Energy

Comments on Draft REC Mechanism notified on 15th Feb 2022 by Hon'ble CERC

The Renewable Purchase Obligation (RPO) Provisions in the Electricity Act 2003 are the most significant tools for development of renewable energy in the country. The REC mechanism is an important part of implementing RPO regulations.

It has been 11 years since the REC mechanism was put in place. There have been lots of challenges but also lots of success. Over 5000 MW capacity is part of the RECs markets, and overall trading has been for 1500+ crores annually.

As we look forward, India has set for itself a very ambitious renewable energy target. This cannot be achieved without a robust market which is primarily driven by the REC mechanism.

The plan to redesign the REC mechanism by CERC is very timely because over the last decade the nature of renewable energy projects in the country has changed dramatically. At the same time it is also very clear that the REC mechanism has not been functioning optimally, especially over the last few years.

Some well known issues are: RPO implementation has remained lax, state regulators have frequently deferred or all together waived RPO requirements. Even the MoP has diluted RPO obligations for the captive generation projects. As a result the REC mechanism has seen almost no new investment for the past several years (reference: Figure 1, REC Projects as a % of RE Capacity Year Wise, Explanatory Memorandum). The REC mechanism can play a lead role in achieving India's targets only if the current mechanism is significantly overhauled and RPO compliance is also centralised - akin to supply side control on RECs!

Our detailed comments on the proposed draft REC regulation 2022 are as below:

ELIGIBILITY OF ISSUANCE OF CERTIFICATES

Under the proposed draft, the Hon'ble Commission has made the the following significant changes:

1. Removal of APPC + REC as a concept where the APPC is a reflection of the conventional energy costs whereas the REC represents the cost of green attributes.
2. Promotional transmission and wheeling + issuance of RECs to OA/DISCOMs for their surplus purchases.
3. Removal of facility of banking entirely whereas the erstwhile regulations restricted the eligibility of RECs only if "promotional banking" facility is availed by the RE Generator.
4. Issuance of RECs to the captive generating stations s.t compliance of clause (2) of the regulation. Further, certificates issued to such captive generating stations to the extent of self-consumption shall not be eligible for sale.

We would like to highlight some of the observations on each of the points mentioned above.

APPC + REC

As per the explanatory memorandum on this draft regulation issued by the Hon'ble Commission, para 1.5, around **332 projects totalling 1,775MW** are registered under REC Mechanism through APPC + REC route. This translates **into a capital investment of close to Rs. 10,000 Crore** across India considering approx. capital cost of Rs. 6 Crore per MW.

Under the proposed draft, the Commission has entirely removed the concept of APPC. This will have a disastrous impact on the existing REC projects registered under the APPC + REC route. We have seen in the past that across India, there has been a significant resistance on the part of DISCOMs to sign up new projects based on the APPC+REC route. While this is totally justifiable decision on the part of DISCOMs given the fact that new RE capacity offers much lower tariff including green component due to significantly reduced CAPEX requirements, the projects commissioned based on the overall premise of APPC+REC as a long term viable proposition, are adversely affected already. States like Rajasthan have not renewed APPC agreement for many RE projects leading to the large number of projects either turning into NPAs or getting sold off as a distressed sale.

If the Central Commission also removes this clause entirely, all the existing projects registered under APPC+REC route, totalling 1,775MW capacity, will soon face difficulties in continuing their power sale agreement with their respective DISCOMs. It may also be noted that these projects were commissioned at much larger capital costs than the capital costs prevailing today.

The significant change in policy by the Commision through this regulation could lead to a severe financial distress on such projects operating under APPC+REC route.

Our submission to the Hon'ble commission is that the concept of APPC+REC is desired to be retained for financial viability of the existing projects. Alternatively, a viable legal alternative is required to be provided to all such generating projects / eligible entities operating under APPC + REC regime, so that they can continue to function in a financially viable manner either within REC mechanism or outside REC mechanism.

Promotional Wheeling and Transmission. Issuance to OA/DISCOMs.

Under this draft regulation, it is being proposed that the eligible entity selling power under open access shall not avail any promotional wheeling and transmission facility.

It may be noted that, the ISTS projects selling power to the DISCOMs enjoy promotional transmission charges through a blanket waiver of transmission charges. The same power bought by any DISCOM is considered "green power". Even the power sold through power exchanges through G-DAM and G-TAM markets enjoy such waivers. The same DISCOM, through this regulation is made entitled to avail RECs if it purchases excess/surplus "green power" through the same non-discriminatory instrument of open-aceess where such power is being delivered with a blanket exemption of transmission charges.

Similarly, if an open-access buyer purchases "green-power" from an RE generator through an open-access, the regulation implies that even if such purchase is being made using promotional wheeling/transmission charges, as well as use of banking, such buyer is entitled to claim RECs on its excess/surplus green power purchase.

Our humble submission to the hon'ble Commission is that - why such restrictions are being made only for a generating company and not for DISCOMs or OA Consumers? Aren't we creating a lopsided and totally unjust policy instrument through this regulation where the same "non-discriminatory" open-access tool if utilised by a DISCOM or an OA consumer the eligibility of RECs is treated in one way, whereas the same open-access tool if utilised by an RE generator, we intend to penalise them by not issuing RECs?

If a generator as an eligible entity is NOT entitled to claim RECs if promotional transmission charges and wheeling charges are availed, so should be DISCOMs and OA consumers. It may also please be noted that ultimately, it is going to be the RE generator who would create investment capacity to invest into such projects and not the DISCOMs or OA Consumers.

Further, to promote transparency in assessment of RPO, we request that the Hon'ble Commission may please make it mandatory for DISCOMs and OA Consumers seeking RECs

to provide source wise details of RE procurement along with a certified energy audit report as a pre-condition for issuance of RECs. Such data should be certified by the SLDC, and may also be made publicly available through REC Registry.

This specific regulation could also enable scenarios where a DISCOMs could buy cheaper RE power from GDAM/GTAM (as the transmission charges are waived) and claim RECs on a later date on such excess purchases to make profits through an indirect circular trade.

No Banking.

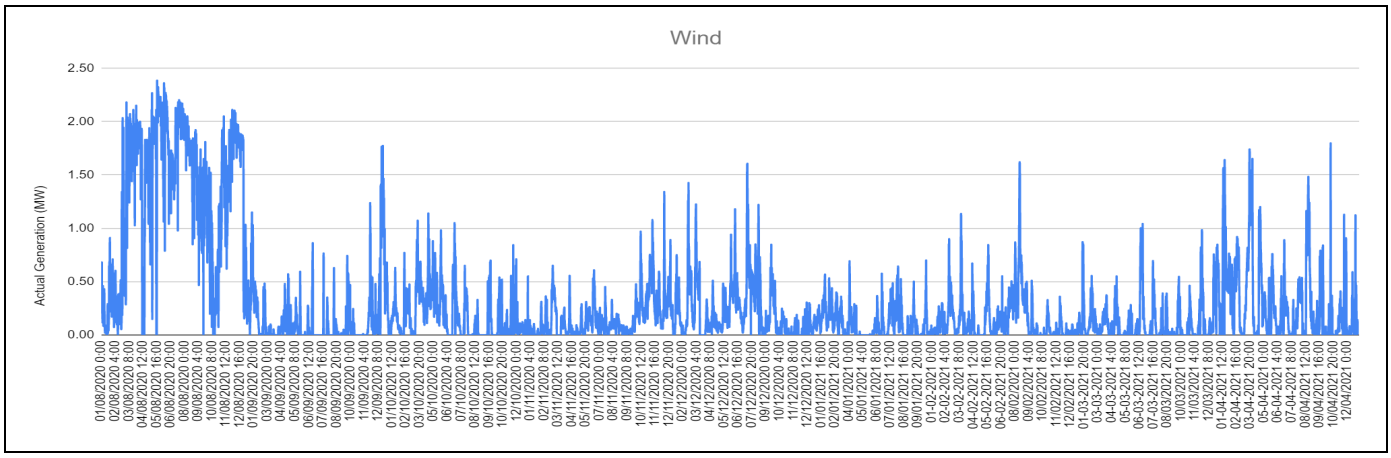
Clause 4(2)(b)(iii) states that a RE project is not eligible for RECs if it has availed *"facility of banking of electricity."*

It may be noted that most RE projects have significant intra-day and seasonal variation in generation. For example, solar projects generate only for 8-10 hours a day, wind projects generate 60-80% of annual generation during the "high-wind" season that lasts 3-4 months, or small hydro projects in the Himalayan generate a significant portion of their electricity in the summer.

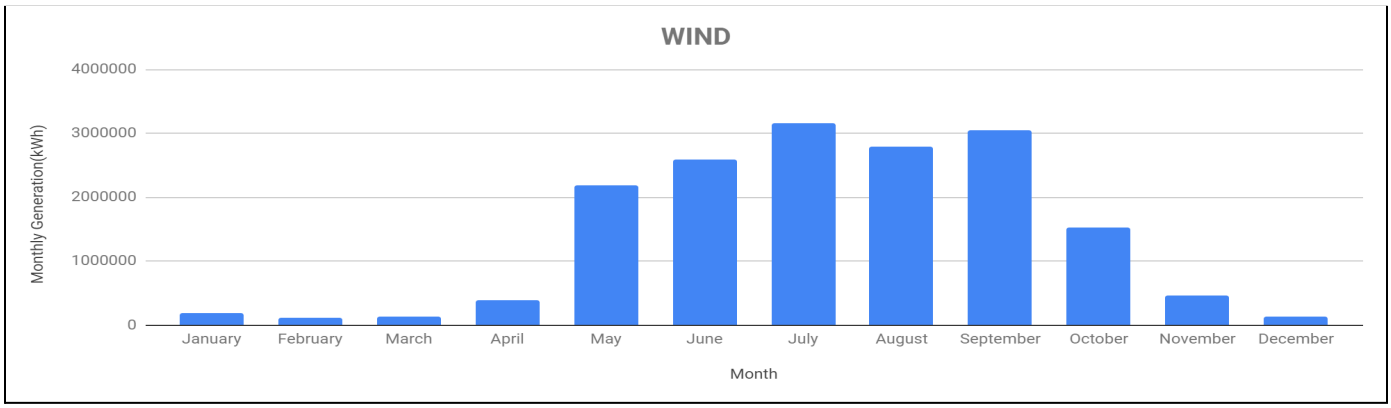
(See data provided below for annual generation of wind and a weeks generation for a solar plant).

For these reasons, banking facilities are essential for RE projects to be viable. Without banking facilities, RE projects that will be set up will be much smaller in capacity, as their capacity will have to be matched with the consuming unit. Earlier regulation had allowed REC eligibility if the project did not avail **preferential banking**.

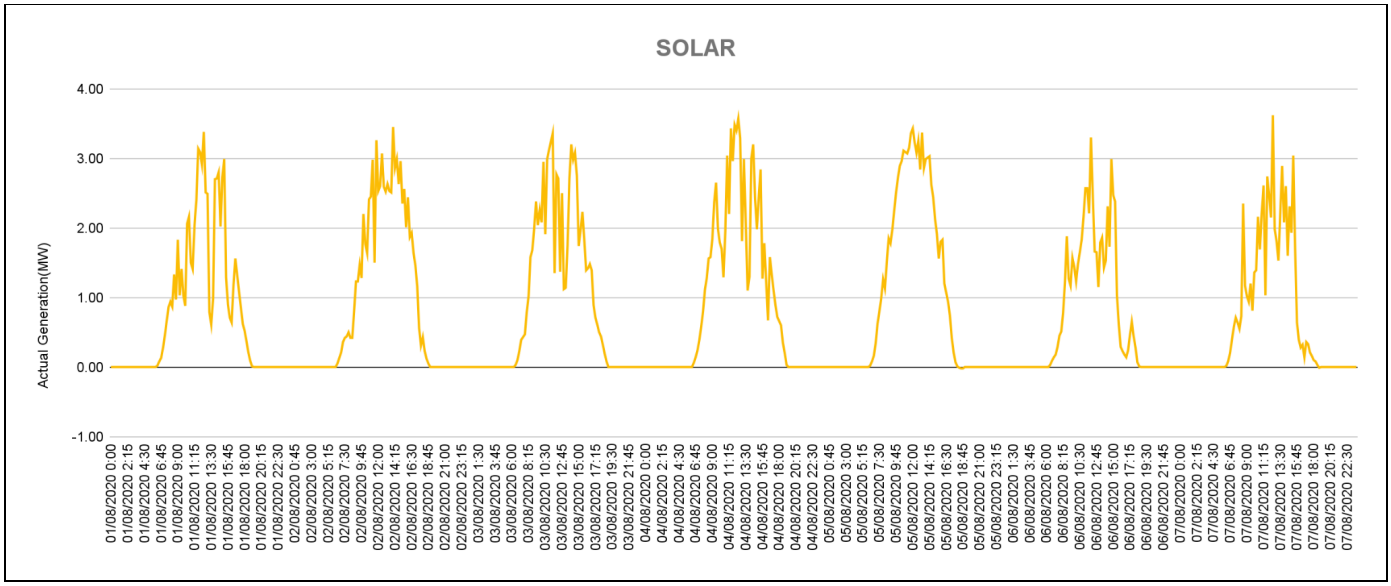
Wind(5.76 MW) - From 01/08/2020 to 30/04/2021



Wind(10.5 MW) - From Jan'21 to Dec'21



Solar(5 MW) - 1 Week Generation(01/08/2020 to 07/08/2020)



This is further complemented with the fact that ***many RE rich states even today DO NOT have intra-state ABT based scheduling.*** This means, even thermal and gas based projects get to enjoy monthly banking as the entire energy accounting in such states happen based on "end-of-month" energy data accounting. Under such accounting, only end of the month energy meter data is used (ToD basis at best) against the aggregated monthly scheduled energy.

Not permitting any form of banking would only create yet another disadvantage to the existing RE projects registered under open-access + REC route (427 projects, 1,532 MW installed capacity) whereas their thermal counterparts would continue to enjoy monthly banking. The capacity addition in future through the REC route will also be significantly hampered due to this clause. If REC regulation is aimed at increasing overall renewable capacity in the country (clause 4.9, explanatory framework), this clause would be a very big deterrent to achieve that specific objective.

Considering this, our humble submission to the Hon'ble Commission is that - The commission may please make only those projects in-eligible for REC that avail "Preferential Banking", not merely any "banking" of electricity; as this will make most captive/open-access projects ineligible for REC.

Captive and Self-consumption: Eligibility for RECs and sale of RECs

Clause 4.7 of the explanatory memorandum states that - "The primary purpose of setting up renewable energy stations by captive consumers is to fulfil its renewable purchase obligation".

Unfortunately, this is an extremely narrow, restrictive and factually incorrect premise to build the entire policy instrument upon.

There are many more purposes for which a captive renewable energy station may be set-up by a captive consumer. For example,

1. Renewable energy has become cheaper not only compared to conventional energy, but also compared to the DISCOM tariffs applicable to C&I consumers across major parts of the country. The large scale and inefficient cross-subsidisation across consumer categories would only accelerate this gap. Hence, the captive consumer could very well aim for setting up its own RE plant, not only to meet its RPO targets but also to reduce its energy bills.
2. Many large corporates sensitive to ESG aspects, have also started pledging their support towards 100% clean energy based transition. Such corporates could also set-up their captive plants, meeting their energy requirements from captive RE generation over and above their RPO compliance. Thus, there is a voluntary aspect of the going-green-movement which our current premise does not factor into.
3. There are large C&I consumers who prefer to own a captive renewable energy asset for various other commercial reasons like - excessive CSS charges on open-access, lack of policy support for general open-access based transactions against captive transactions, long-term stability of energy supply as well as tariffs.
4. Some of the industrial processes enable better usage of natural resources leading to captive power generation. For example, 1) paper industry using black-liquor-dry-solids (BLDS) as a primary fuel, 2) rayon manufacturing industry using wood pulp as one of the key ingredients, the leftover of that gets utilized as a biomass to produce power. 3) Sugar production process enabling bagasse based cogeneration often leading to large scale power export/sale opportunity as well.

The REC Regulation 2010 and its 4th amendment by the Hon'ble Commission had a very well detailed explanation of these issues and captured such nuances carefully. The current draft

regulation 4(3) on eligibility of RECs for captive generating stations creates more questions than it answers.

First of all, the captive generating stations (CGS) and self-consumption based renewable energy production needs to be distinguished clearly as it was carried out during the 4th amendment of REC Regulation 2010 by the Hon'ble Commission. Regulation 1(B) of REC Regulation 2010 (including 4th amendment) is reproduced below for your kind reference:

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*"**[(1B)** A Captive Generating Plant (CGP) based on renewable energy sources, including renewable energy generating plant not fulfilling the conditions of CGP as prescribed in the Electricity Rules, 2005 but having self-consumption, shall not be eligible for participating in the REC scheme for the energy generated from such plant to the extent of self-consumption, if such a plant:*

a) has been commissioned prior to 29th September 2010 or after 31st March 2016; or
b) is not registered with Central Agency under REC scheme on or before 30th June 2016.

Provided that a CGP based on renewable energy sources, including renewable energy generating plant not fulfilling the conditions of CGP as prescribed in the Electricity Rules, 2005 but having self-consumption, and fulfilling both the following conditions:

a) having date of commissioning between 29th September 2010 and 31st March 2016; and
b) registered with Central Agency under REC scheme on or before 30th June 2016

shall be eligible for the entire energy generated from such plant for participating in the REC scheme subject to the condition that such plant does not avail or does not propose to avail any benefit in the form of concessional / promotional transmission or wheeling charges and/or banking facility benefit:

Provided further that if such plant meeting the eligibility criteria for REC, forgoes on its own, the benefits of concessional transmission or wheeling charges and/or banking facility benefit, it shall become eligible for participating in the REC scheme only after a period of three years has elapsed from the date of forgoing such benefits:

Provided also that the above mentioned condition for participating in the REC scheme shall not apply if the benefits given to such plant in the form of concessional transmission or wheeling charges and or banking facility benefit are withdrawn by the concerned State Electricity Regulatory Commission and/or the State Government:

Provided also that if any dispute arises as to whether a CGP or any other renewable energy generator has availed such concessional/promotional benefits, the same shall be referred to the Appropriate Commission for decision.

Explanation:- For the purpose of this regulation, the expression "banking facility benefit" shall mean only such banking facility whereby the CGP or any other renewable energy generator gets the benefit of utilizing the banked energy at any time (including peak hours) even when it has injected into grid during off-peak hours.]"

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It may please be carefully noticed that the phrase "captive consumer" and "self-consumption" have two different legal meanings. The definition of captive consumer is well established under the E-Rules, 2005 where the consumer consumes 51% or more energy on an annual basis whereas the "self-consumption" category under the REC regulation was included to accommodate the bagasse based cogeneration plants (primarily) which where otherwise not qualified as "captive generating plants" as per the E-Rules 2005.

Now, having established different objectives of setting up a captive renewable energy plant and difference between "CGP" and "self-consumption" based renewable energy plants, the draft regulation 4(3) read along with clause 4.6 and clause 4.7 of the explanatory memorandum creates the following questions:

1. A captive generating grid-connected biomass plant, currently registered under the REC mechanism, not exporting any energy to the grid continues to generate electricity from renewables, does not avail any form of concessional wheeling/transmission/banking facility.
    a. Would such a plant / similar plants in future continue to remain / be eligible for RECs and sell surplus RECs beyond its RPO obligation?
    b. Such a plant fully meets the CGP requirement of E-Rules 2005. The plant pertains to a large industrial house and also off-sets RECs through self-redemption against RPO of other manufacturing units of the same industrial house. Would eligibility of self-redemption be allowed to such a plant or similar plants that may come up in the future?
    c. *Our submission to the Hon'ble Commission is that for both a) and b) scenarios above, eligibility for sale as well for self-redemption should be permitted as 1) such plants clearly displaces the conventional energy through renewable energy production 2) it also promotes investments in new renewable energy*

technologies and thereby meets the stated objectives of the REC Regulation of promoting / increasing overall renewable energy capacity in the country.

2. Similarly, an RE generation unit having multiple open-access based captive consumers consuming energy from such a captive unit based on their ownership % in such a captive generating unit. In this case, the generation and consumption units are multiple different legal entities. There is no concept of self-consumption here. Neither the consumer is purchasing the power to meet its RPO requirement. In such a case, should the RE generation unit be eligible for RECs? Under the existing REC regulation, such generating unit is eligible for RECs.
    a. *Our submission to the Hon'ble Commission here is that, under this scenario as well, the generation unit does not claim any promotional wheeling/transmission/banking facility. Neither consumer claims any RPO credits on such generation. Hence, such generation units should be allowed to remain eligible for issuance of RECs.*
3. Likewise, a bagasse based cogeneration unit not qualifying as a captive generation unit, would such unit qualify for REC issuance for the self-consumption part? Would such units be allowed to sell surplus RECs? A clear distinction is needed here against captive generating units.
    a. *Our submission to the Hon'ble Commission here is that, under this scenario only, restriction of sale of such RECs may be activated. However, self-redemption of RECs for the purpose of meeting RPO compliance requirements across other manufacturing units of the same legal entity may be permitted. Only the existing projects registered under the REC Mechanism may be permitted to continue claim RECs and carry out sale of such RECs.*

Rooftop Projects connected to Grid

At present India's grid connected rooftop capacity is 6405 MW[1] which is a considerable figure and will be eventually growing over the years. The target for rooftop capacity is 40 GW. However, there is lack of clarity on the eligibility criteria and detailed procedure for inclusiveness of such projects under the REC mechanism. Specifically, clarity and detailed procedures are required with respect to: a) Connectivity and metering requirements, b) eligibility of net-metered projects, and c) exclusions of self-consumption to the extent of RPO.

[1] Source: MNRE website

We request the Hon'ble Commission for including such projects in REC ambit with clearly defined guidelines on procedure and eligibility.

Exchange and Redemption of Certificates

Under the proposed draft, regulation 11, read along with clause 2.7, Clause 9 of the explanatory memorandum, we would like to highlight some of our concerns to the Hon'ble Commission:

The liquidity of the RECs market has been below par so far. The functioning of the market has also been not so consistent given the various regulatory challenges. The draft regulation proposes to remove the floor price and enables transactions through traders as well.

While the monitoring and compliance mechanism would surely have evolved as stated under the clause 9.1 of the explanatory memorandum, we would like to bring to the kind notice of the Commission that despite statutory requirements, and multiple iterations in the trading licensee regulations, many trading licensees continue to operate without proving adequate statutory disclosures in violation of the regulatory provisions. For example, the trading license regulations clearly stipulate that the Form-IV shall be published on the website of a trading licensee detailing all the transactions as well as the transaction charges. If we check the websites (accessed as on 24th March) of some of the large traders claiming to be "top 3" or "Top 5" traders in the country, Form-IV links are nowhere to be found on their website *(unless it's a hidden link not visible to the common man and a special link is shared with the Commission only)*. This in itself reflects how opaque and non-transparent some of the large trading licensees can be. The Hon'ble Commission may please also independently verify this. Entities blatantly violating the power trading regulations, aiming to thrive on the basis on opaque, non-transparent information management, if we entrust such entities with a responsibility of "securing revenues on a long term basis for the RE generating plants" we would not only look at a highly fragmented market, but also a possibility of many unscrupulous transactions along with payment defaults to the RE Generators.

Further, the larger question arises here is that, if the market is to be opened up from the transaction point of view, why are we redistricting the generating companies from transacting directly with the eligible entities and vice-a-versa? The Power Market Regulation 2021 also enables OTC Platform where counterparty discovery could happen far more efficiently than what a trader can potentially offer.

The procedure proposed under clause 9 - (a,b,c,d) also provides NO CHOICE to the generator other than trade through power exchange or through a trading licensee. The DISCOM, the Obligated Entities, the RE Generators and the voluntary buyers of RECs, need to be given a lot more choice - including transacting directly or through OTC Platform or through Advisory Members of Power Exchanges if Hon'ble Commission really wants to open-up the transactions framework. Alternatively, RECs are better restricted to the power exchanges for ensuring liquidity, transparency and payment security.

Regulation 11(4) under the draft regulation may be amended suitably.

Similarly, regulation 4(2)(a) also needs to be amended as it implies that even for a physical power sale, an eligible entity is required to sell energy only through a trader or power exchange. This is a highly restrictive and monopolistic clause.

Grant of Accreditation and Grant of Registration

Under the proposed draft, regulation 6(2), read along with regulation 8(2), we would like to highlight that while the registration validity has been provided for 15 years for the existing projects (a very welcome move), the accreditation is restricted only for the period of existing validity of the accreditation period. We fear that if the states also change their regulations, even though the registration is valid for the existing eligible entity, there could be scenarios where the generator may not be able to get accreditation renewed if the state regulation differs from the CERC regulation (as it has happened in the past). *We would request the Hon'ble Commission to kindly consider 15 years period for accreditation validity as well*.

Denomination of the Certificates

Regulation 12.2: Promotion of new and high cost technologies in RE and the provision of multipliers for issuance of RECs. Certificate multiplier is introduced for the period of three years or as may be decided by the Commission.

Discussion and our suggestion -

The multiplier for new RE Technology is a great initiative and will incentivise and pave the way for easy "market entry" of new and emerging RE technologies.

Our Comments: *Projects which are commissioned prior to this regulation should also be taken under the ambit of REC multiplier.* The Hon'ble Commission can also take into consideration the eligibility of the projects which opt for third party sale/ non-FIT power sale, irrespective of the date of commissioning. For example, SERC determined tariff for biomass projects in Maharashtra is Rs 5.55/kWh[2]. If these projects were to sell power in the open market, or if the PPAs were to end, they would need the help of the "multiplier" to remain viable.

Pricing of the Certificates

Regulation 13 & 14: Removal of Validity period of RECs; Floor & Forbearance Price

Discussion and our suggestion -

Limited validity of RECs served an important purpose in the design of RECs markets. It acted as a safeguard against hoarding or market manipulation, ensuring that RECs always traded at a reasonable price, and that it did not become a speculative commodity.

However, the regulators have been required to extend the validity of RECs several times. This has mainly been driven by the fact that RPO implementation has been a major concern.

Our Comments: In light of the frequent extensions required in the past, it appears reasonable to remove a fixed validity of RECs altogether.

However it needs to be done in conjunction with keeping another important safeguard in place - namely **forbearance price** - this will ensure that RECs always trade within reasonable bounds. Further, the forbearance price will also act as a deterrent / penalty tool for regulatory commissions across states to frame new laws on the RPO Compliance.

Preserving the Floor Price as a Concept

Under the proposed draft, regulation 12, read along with clause 10. - 1,2,3,4,5,6, we would like to respectfully submit the following observations.

[2] Source: MERC order 29 of 2021

1. Technology based multiplier is a welcome move and we fully endorse the same.
2. Demand for incentivising higher cost of RE needs to be considered favourably not only for the new projects but also for the existing projects where such projects were commissioned under ambit of the REC Regulation 2010 and its amendments. Many such existing projects are yet to complete 10 years of operations and are already going through a severe financial distress due to various reasons like - 1) non-continuation of APPC PPAs by various DISCOMs 2) delayed payments on APPC PPA rates by DISCOMs 3) rapid rise of open-access charges through transmission and wheeling charges leading to much higher operational costs against the expected revenue realisation from REC sale. 4) Frequent halts in REC trading and poor liquidity leading to sporadic and unpredictable cash-flows resulting in delayed payments to lenders.
3. Hon'ble Commission's view on keeping "Certificate Multiplier" and its validity for a period of 15 years from the date of commissioning of such project (reference: regulation 10.4), to enable "revenue recovery during the period of debt obligations of such projects" (reference: clause 10.3, explanatory memorandum) is indeed a very much a welcome move.
    a. However, it is observed that the same principle is not being applied to the existing set of RE generators who entrusted their investment decisions based on the REC Regulation 2010 and are now facing financial hardships and some of such projects are already bankrupt with assets dismantled and sold in bits and pieces (many biomass projects).
    b. If the Certificate Multiplier is not applied and provided to the existing set of RE Generators registered and operating under the REC Mechanism, this proposed regulation would deny an equal opportunity to all such existing generators.
4. **Certificate Multiplier without Floor Price** will have the same fate for new RE Generators as being faced by the existing investors in REC Mechanism.
    a. While the technology multiplier will ensure that higher number of certificates are issued to such high-cost RE technology projects through a grandfathering clause, if there is no floor price and the grid-scale RE technologies continue to offer lower and lower energy tariffs (based on past 10 years trend), how will any such high-cost RE technology project would survive the market where the revenues from RECs will continue to decline rapidly whereas the fixed costs are already being incurred at the start of the project itself?
    b. For example, an Biomass and Biofuel based project setting up under the new REC Regulation 2022 assuming a new median REC revenue of say Rs.500/REC and thus, Rs.1250/MWh (multiplier of 2.5) for a period of 10 years based on the

grandfathering clause, if the price of RECs collapse to say Rs. 100/RECs (Rs. 250/MWh) during the next 5 years, the project economics will be significantly compromised in absence of any viable floor price and suitable Certificate Multiplier.

i. We have seen such spectacular price collapses in the ESCERTs market and at present, the trading of ESCERTs is suspended.
ii. The REC market may also have the same fate if some form of price protection is not provided through this regulation.

c. The grandfathering clause would only be helpful if a) the floor price is determined and notified and 2) certificate multiplier is made dynamic, say revised every 3 years. The floor price as well may be determined every 3 years and some revenue protection may be offered to the new projects through a dynamic Certificate Multiplier.

i. This will ensure that the new projects spending CAPEX based on REC Regulation 2022 does not become unviable by say 2027 as it has happened with many projects operating under the REC Regulation 2010.
ii. With the renewable energy market being highly dynamic and rapidly evolving, the novel objective and principle of "ensuring revenue recovery during the period of debt obligations of such projects" as laid down under clause 10.3, explanatory memorandum, will only be possible if and only if the floor price is retained along with forbearance price (will bring stability and certainty in RECs transactions) and certificate multiplier as well as the determination of the floor price is made dynamic with both components getting reviewed every 3 years or so.
iii. This will also ensure that older projects with higher CAPEX sustains for the period of the project life whereas the newer projects with same technology but lower CAPEX gets lower and lower Certificate Multiplier and thereby ensuring an efficient and well-balanced ecosystem promoting the renewable energy across multiplier technologies in India.

5. <u>Scope of newer technologies and Certificate Multiplier:</u>

a. Indian Grid has already started seeing emergence of hybrid (wind + solar, wind+solar+storage, wind+solar+hydro etc) RE projects as well as stand alone battery energy storage system (BESS) based projects. Further, with an active green/blue hydrogen policy in place including certain hydrogen based

obligations, a convergence of mainstream energy - including renewable energy - would soon happen in the form of green/blue hydrogen. Such technologies should also be encouraged to participate in the REC Mechanism with a suitable technology multiplier.

General Comment

We would like to bring another important issue to the attention of the Hon'ble Commission. While this issue is not included in the present amendment, it severely reduces the RPO for certain obligated entities. The issue is described in detail below:

Undue benefit to RPO obligated CPPs:

While discussing REC for CPPs, we would also like to bring to your notice that there has been a relaxation given to the CPPs in terms of incremental RPO year on year basis, which is implemented on the rest of the obligated entities. Earlier, the Ministry of Power(MoP) had published a clarification on its past orders of long-term RPO trajectory which stated that,

> *"RPO of the CPP may be pegged at the RPO level applicable in the year in which the CPP was commissioned. As and when the company adds to the capacity of the CPP, it will have to provide for additional RPO as obligated in the year in which new capacity is commissioned. There should not be an increase in RPO of CPP without any additional fossil fuel capacity being added"*

Subsequent to the order from MoP, several states have amended their regulations to cap the RPO on CPPs.

This position of MoP creates a few issues:

- According to section 86(i)(e) of Electricity Act 2003, RPO is to be determined on "percentage of the total consumption", and not on capacity, as this clarification proposes to do.
- This order has the effect of reduction of demand of renewable energy, and consequently RECs as well

The Supreme Court has made important observations on the applicability of RPO on captive generators. The SC said the RPO applicability on captive and open access consumers is well within the ambit of the Electricity Act 2003 and the cost of fulfilling the obligation cannot be held above the larger public interest.

In our opinion, CPPs should also be treated equally as the other obligated entities. Hence, CPPs should follow the same RPO trajectory that is set for all other obligated entities.

We request CERC or FoR to clarify the applicability of RPO on CPPs, and whether CPPs can be given preferential treatment by reducing or capping RPO for them.

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